



EUROPEAN WOMEN'S  
LOBBY  
EUROPEEN DES FEMMES

# CONSULTATION

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## EWL response to the European Commission's Green Paper 'Towards adequate, sustainable and safe European pension systems'

### 1. Overall assessment and general EWL comments on the Green Paper 'Towards adequate, sustainable and safe European pension systems'

The European Women's Lobby<sup>1</sup> (EWL) welcomes the opportunity to contribute to the debate on the European Commission's Green Paper 'Towards adequate, sustainable and safe European pension systems', especially within the context of the current financial and economic crisis. The crisis has clearly shown that European economies are all interdependent and no Member State can guarantee on its own the adequacy, safety and sustainability of its pension system and thus the European Union must make sure that all its Member States apply appropriate governance rules to manage their public finances and new EU rules are needed to improve the solvency of occupational pension institutions.

Despite the strong presence and contribution of women in the labour market, pension schemes still highly mirror the traditional male life-cycle, that is, forty years or more of uninterrupted career, a pattern which rarely, if ever, reflects women's lives. Given the unprecedented number of women in the labour market over the last decade, and their contribution to economic development (the increased participation of women in the labour market has accounted for a quarter of annual growth in the EU since 1995<sup>2</sup>), it is high time that the issue is directly addressed: gender inequalities in pensions are inherent to the gender pay gap and the feminisation of poverty in older years and begs the question of society's commitment and political will to real equality between women and men, notwithstanding legal obligations in this area. It is within this context that the current debate needs to be framed rather than concentrate primarily on highly technical and often overpowering aspects to which the political aspect is diluted.

We hereby recall that under the Treaties, the Union is founded on the value of equality between women and men (art.2 TEU), which is also one objective of its action (art.3 TEU). Under the Charter of Fundamental rights, equality between men and women is a fundamental right which must be ensured in all areas, including employment, work and pay. In all its activities, the Union shall aim to eliminate inequalities, and to promote equality, between men and women (art.8 TFEU).

Equality between women and men must be at the core of any activity of the European Union and of its institutions. This is also the case for any policy aiming at European pension systems: any subsequent proposal deriving from this consultation must ensure that gender equality is enshrined in the designing of current and future pension systems. To ensure that gender equality is at the heart of current and subsequent proposals, gender impact assessments must be carried out. Gender impact assessments are necessary in order to be able to look into the short and long term effects on women's rights and equality between women and men, and should aim at improving gender equality in the European Union, in order to comply with the Treaties.

<sup>1</sup> The European Women's Lobby (EWL) is the largest umbrella organisation of women's associations in the European Union (EU), working to promote women's rights and equality between women and men. EWL membership extends to organisations in all 27 EU member states and the three candidate countries, as well as to 21 European-wide bodies, representing a total of more than 2500 organisations.

<sup>2</sup> Women and sustainable development, maximizing the economic, social and environmental role of women OECD (2008)



The double track approach for gender equality has to be enforced: a gender-based analysis of existing pension schemes and gender mainstreaming in all proposals, but also specific measures to address women's needs and specificities.

It is thus necessary to undertake a full study on the impact of pension reforms on women's lives in the EU with the following objectives in mind: (1) The individualisation of pension rights (and social security and taxation systems overall) to encourage women and men to engage in paid work, and thus earn individual economic security; (2) The development of mechanisms accommodating the employment patterns linked to society's need for the care of children and other dependant persons so that career-breaks or part-time work are considered as full-time work in the calculation of pension benefits. On the basis of the above study, formulate concrete recommendations to strengthen the gender equality dimension of all pension schemes.

Any output must aim at ensuring social and economical rights for all women and men in Europe, and working towards intergenerational solidarity, assessing an equal share of benefits and costs of any change for the different generations of women and men.

Many pension schemes in the EU Member States still leave many women with only 'derived rights' based on their husband's employment record, with the consequence that the majority of older people living in poverty are women. Ensuring a better life for older women requires addressing the structural factors contributing to inequality in pension schemes, including the organisation of care and combining private and professional life, inequalities in the labour market, the gender pay gap and direct discrimination in second and third pillar pensions.

EWL has for a long time been concerned about the situation of older women. Due to multiple structural inequalities, they on average face a higher risk of poverty<sup>3</sup> than older men. Within this context, EWL welcomes the initiative by the European Commission to discuss the need to reform Member States' pension systems. As Europe currently faces economic setbacks, demographic changes and transformations of labour markets, pension schemes also need revision in order to meet the current challenges. The economic and social crisis revealed major flaws in European governance, and even though not being responsible for its causes, women will be hit hardest by the consequences.<sup>4</sup> We stress that the process of 'modernisation' of pension systems, which is undergoing in most EU MS, has to include as part of the modernising process the reduction of women's risk-of-poverty rate. Older women constitute 20% of Europe's population, and with the current, and persistent, demographic trends, their number will continue to grow. It is therefore crucial to ensure that their specific requirements are taken into consideration by European policy-makers.

Any proposal in the field of pensions has to be coordinated with the framework of equality between women and men in employment policies: women have lower wages than men, the gender pay gap at EU level remains at 18% and has not significantly decreased in the last 15 years. Still around 30% of working age women in the EU having care responsibilities are inactive or work part time (but would like to work more hours) due to the lack of care services for children and other dependent persons (involuntary part-time) : this

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<sup>3</sup> Women's risk of poverty rate after social transfers in the age group (65+) in 2007 in EU, before the crisis, was 22%, while for men the rate was 17%. This indicator is based on the assumption of equal sharing of resources within households, but since women are secondary earners or do not earn any salary in the 63.5% of couples in the EU on average (Bettio and Verashchagina 2009), then the current figures do not show the magnitude of older women's risk of poverty.

<sup>4</sup> See European Parliament own-initiative report on Gender aspects of the economic downturn and financial crisis, adopted the 17 June 2010.



percentage is as high as 80% in some Member States.<sup>5</sup> This affects directly women's pensions for involuntary reasons and policy makers have the social responsibility to address the matter. Women are further disadvantaged by the gender segmentation of the labour market with a high percentage of women in sectors which are precarious with fixed term contracts. Part time workers have to be protected against insufficient pension's rights.

Precarious workers are severely under threat as far as pensions are concerned: young people in Europe face incredible rates of unemployment or employment under atypical contracts which do not provide for pensions rights which are sufficient for a decent living. Precarious work affects women more than men<sup>6</sup> and the over-representation of women in precarious work is a key contributing factor to not only the gender pay gap but also on the gender pension's gap. This has to be impeded if Europe does not want to deal with whole generations not only of working poor but also of pensioners under the poverty line.

Women's life-cycles have to be at the centre of pensions' schemes: a pension scheme based on the model of men as the main breadwinner with 40 years or more of uninterrupted career is not sustainable for women who are more likely to have career breaks for care reasons being still the main responsible for caring for children, older relatives and other dependants. Legitimate careers interruptions for care reasons must be taken into consideration for pension rights and must not lead to women's lower pension levels.

The pensions reform must then also be coordinated with an overall development of a care economy; it is impossible to aim at an increased participation of women in the labour market, and a pensions system which is adequate and sustainable, without policies which shift the responsibility of care from women's to the society: this need affordable, accessible and high quality care services for children, older people and other dependents, and an increased share of caring tasks between men and women. While the pension scheme model is still one where women appear to be the carers and men appear to be the workers, a reform must aim at recognising and creating incentives to a system in which both women and men are both carers and workers.

The specificities of different groups of women must also be taken into consideration, as migrant women and disabled women. Many migrants, coming to the EU countries at a later stage, do not have the time to build up pension contributions. First pillar pensions discriminate against migrant and refugee women when such pension schemes are based on the length of residence in a certain country. Migrant women tend to be more involved in undeclared work and thus on retirement, they find themselves living in poverty. In addition, as particularly black women, migrant and refugee women are more often employed in the informal care sector, they have limited opportunities to build pensions in the 2<sup>nd</sup> or 3<sup>rd</sup> pillar, leaving them in poverty in their older age. Disabled women who are unable to work will face similar poverty, as they too will only be able to rely on the state pension. EU shall develop strategies to ensure a full state pension to migrant and refugee women and enable migrant women to transfer their 1<sup>st</sup> pillar pension entitlements while moving.

A fundamental step of this reform must be the elimination of the derogation from the gender equality principle which is allowed under article 5(2) of Directive 2004/113 and equality between women and men in relation to pensions. During and after the adoption process of the 2004/113 goods and services Directive, the

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<sup>5</sup> The percentage of working age women in the EU having care responsibilities are inactive or work part time but would like to work more hours due to the lack of care services for children and other dependent persons is higher than 60% in Spain and Greece and higher than 80% in Latvia and Romania.

<sup>6</sup> See European Parliament report on precarious women workers, adopted the 19 October 2010.



European Women's Lobby has repeatedly argued against the exception to the principle of equality contained in article 5(2) of the Directive and in favour of a strong text that prohibits, without exception, discrimination between women and men for financial services that are sometimes compulsory and that are vital to achieve gender equality and help to achieve the full integration of all women into society on an equal footing i.e. insurance and financial services and products. Article 5(2) allows for a distinction between men and women and charging higher premiums and/or lower payments for women in complementary insurance products on the basis of life expectancy statistics whose origin is not transparent and appears unsubstantiated.

EWL is concerned with the shift from first pillar pensions towards increased importance of second and third pillar pensions. First pillar pensions schemes have to be the main provider for old age income for all citizens; within these systems it is possible to adjust for career breaks by not calculating final pension payments only on each year active on the labour market, but taking into considerations period of inactivity due to reasons which are beneficial for the society, as care is. The state has responsibility to ensure that care is valued, to ensure adequate living standard, to fight inequalities and to ensure the sustainability of human production and reproduction.

## 2. EWL responses to relevant sections of the questionnaire

1) How can the EU support Member States' efforts to strengthen the adequacy of pension systems? Should the EU seek to define better what an adequate retirement income might entail?

Women are at a disadvantaged position throughout their working life. They face a persisting gender pay gap, a segmented labour market which entails obstacles for women to access high quality employment (in forms of working hours, permanent contracts and full-time work), but also the fact that 'female' sectors are valued lower than 'male' ones in terms of salaries. This, along with career breaks due to caring for children and other dependants, results in substantially lower pensions for women than men, and puts them at higher risk of poverty, especially at old age. Even though equal pay is an obligation since the Treaty of Rome, and the first Directives protecting equality between women and men date back to 1975, the situation is still far from being properly addressed. The EU has to ensure the complete implementation of the existing legislation of equality between women and men on issues related to employment and social security, as Directive 2006/54/EC, and improve it, to ensure adequate pensions.

The EU should therefore define what an adequate income might entail, as mean of minimum standard, impeding Member States to water down more protective measures and definitions. The definition of adequacy must be consistent with equality between men and women.

The EWL is concerned with the shift from statutory pensions towards the observed increased importance of occupational and private schemes. Well-developed state provided pension systems must be the main provider for old age income for all citizens. Within these systems, and despite their differences in the Member States, it is possible to adjust for career breaks by not calculating final pension payments only on each year active on the labour market, while taking into considerations period of inactivity due to reasons which are beneficial for the society, as care is. The state has an interest as well as the responsibility to ensure that career breaks for caring reasons are not penalized when reaching pension age, to ensure adequate living standard, to fight inequalities and to ensure the sustainability of production and reproduction.



EWL is also very concerned about the ambiguity and lack of clarity in relation to two interlinked but separate issues: on the one hand, there is the long term financial sustainability of social security systems and on the other, the adequacy of pension income in old age. While the two issues are interrelated, it is unacceptable that the financial debate dominates the issue of levels of income in old age of men and women in Europe.

Whereas the Commission acknowledges that there will be a need to broaden the sources of retirement incomes as replacement rates of public pensions decline, it needs to be stressed that turning to second and third pillar schemes doesn't automatically give increased access for all workers. Women tend to rely more on pensions provided by the state: their access to occupational and private systems is limited, due to both direct and indirect discrimination.

Direct discrimination has the legitimacy of EC legislation: Article 5(2) of the Directive 2004/113/EC<sup>7</sup> allows Member States to make a distinction between men and women in complementary insurance products on the basis of statistics whose origin is not transparent and appears unsubstantiated. The EWL stresses that affordable insurance products are equally important for both women and men. Firstly because some of them are mandatory for large segments of the population but more importantly because there is general trend to re-individualise some risks which used to be covered by the social security schemes or the welfare state and citizens need private pensions schemes to be protected against life risks. The impact of Article 5 of Directive 2004/113 on supplementary pensions and gender equality in terms of old age income needs to be addressed in the context of a growing trend to move away from first pillar to supplementary pensions systems, women face greater discrimination in old age income as these pensions systems are allowed to apply less favourable treatment to women.

Women face also indirect discrimination throughout their working life, which limits their access to high quality employment and adequate salaries, and consequently limits the basis for their pension funds. This is especially problematic concerning second pillar pensions. These are generally negotiated separately for each sector, which means that as women don't have equal access to all sectors of the labour market, and that sectors occupied particularly by women generally have lower salaries and less advantageous conditions, women have restricted access to occupational schemes. Furthermore, many of these have rules of uninterrupted careers and careers within the same sector, which is impossible for most women to achieve.

Furthermore, women working with their husbands or partners in SMEs, for instance in agriculture, are often not sufficiently covered by any pension schemes. Their particular needs must also be taken into account in the reforms. Access to social protection systems for assisting partners remains voluntary also after the revision of the Self-employed Directive<sup>8</sup>: the EU must ensure that women know that under new EU legislation they have the possibility to seek social security protection including pension rights.

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<sup>7</sup> **Article 5 Actuarial factors** 1. Member States shall ensure that in all new contracts concluded after 21 December 2007 at the latest, the use of sex as a factor in the calculation of premiums and benefits for the purposes of insurance and related financial services shall not result in differences in individuals' premiums and benefits. 2. Notwithstanding paragraph 1, Member States may decide before 21 December 2007 to permit proportionate differences in individuals' premiums and benefits where the use of sex is a determining factor in the assessment of risk based on relevant and accurate actuarial and statistical data. The Member States concerned shall inform the Commission and ensure that accurate data relevant to the use of sex as a determining actuarial factor are compiled, published and regularly updated.

These Member States shall review their decision five years after 21 December 2007, taking into account the Commission report referred to in Article 16, and shall forward the results of this review to the Commission.

<sup>8</sup> Directive 2010/41/EU of the European parliament and of the Council of 7 July 2010 on the application of the principle of equal treatment between men and women engaged in an activity in a self-employed capacity and repealing Council Directive 86/613/EEC.



As the received pensions, especially occupational and private pension provisions, depend solely on contributions during time in employment, women are penalised for their unpaid care work. In some member states statutory pension schemes compensate for career breaks due to care responsibilities, but as first pillar schemes are proportionately decreasing, this consideration and compensation for carers is at risk. As member states rely increasingly on second and third pillar pension schemes, EU must discuss how to ensure that carers are compensated for their unpaid care, promote unisex premiums and prevent discrimination against women in access to insurance products. Pensions can not be considered adequate if they do not compensate for care career breaks, involuntary part-time and unemployment periods by assimilating them into the calculated worked time. It has to be underlined that the recalled objective of 75% of employment rate in Europe 20/20 and longer working lives can be consistent with a sustainable pension system only if public policies assume completely responsibility for care, not considering personal services mainly delivered by women as a 'free of charge female duty'. The trend to go from pay as you go to funded schemes means that women's situation becomes even more vulnerable. Funded schemes put the risk on its recipients, and as women's incomes are generally lower than men's, they are less likely to have private savings to fall back on if their pension funds don't give enough output.

All women and men living in Europe should be entitled to a pension that ensures an adequate living standard, which is why the EU should encourage a universal adequate basic old age pension. Inequalities between men and women exist at all stages of life, also at old age. The majority of older people living on social welfare are women; ensuring them a minimum income would provide a financial security, which is key to achieving gender equality and equal economic independence. Some member states, such as Belgium and Sweden, have already minimum pension schemes in place. Further discussion on EU level regarding minimum standards could encourage more countries to follow.

Pension systems must move towards the individualisation of pension's income and all pension rights, within the context of career breaks for caring reasons for women and men. This is particularly important as it is foreseeable that, in the future, sex won't be considered a justification for retirement age differences, maternity, paternity leave and parental leave – this must be therefore adequately covered with rights and entitlements ensured to all.

At the same time, an adequate transition from the most usual male breadwinner system with derived rights to individualised rights taking into account career breaks for care reasons should in no case leave women aside. Working part-time or interrupting one's career to care for elderly or children, is most often a household decision, but it is still considered to be an 'individual's choice': hence, the financial consequences of this choice in terms of pensions are still shouldered by the individual, in most cases women, since women take substantially more time off to care for others than men due to the persisting gender pay gap, and stereotypical gender roles. In case of divorce or end of a legal partnership, pension's rights must be shared between the partners for the number of years either married or in legal partnership, for which women stayed out of the labour market to care for children/family members or in part-time. Women shall be entitled to a share of their ex partners' pension, including complementary and private pillars, for those years spent looking after family members; this would need to be integrated into divorce laws as an automatic entitlement to avoid women being discriminated and men availing of all the rights: in cases of divorce women are often left with an insufficient individual pension in old age. The issue of sharing pension entitlements earned during the time of marriage or partnership is therefore of great importance for women. Nonetheless this shall only be a transitory solution in view of a system of individualised pension's rights and career breaks for care reasons recognised as full time work.



The EWL calls for a specific report on how a reform of pensions systems might contribute to equality between men and women EU, tackling both socio-economic and economic-financial consequences. This would be the only way to ensure that the EU follow up to this Green Paper is consistent with the provisions of the Treaties on equality between men and women.

Finally, gendered statistics are vital to defining gender-sensitive policies. The European Institute for Gender Equality has to be given the mandate to elaborate in order to ensure that all data used under pensions schemes rules and simulations do not omit the different situations of women's and men's lives (as for instance replacement rates or pension benefit impact by sex).

3) How can higher effective retirement ages best be achieved and how could increases in pensionable ages contribute? Should automatic adjustment mechanisms related to demographic changes be introduced in pension systems in order to balance the time spent in work and in retirement? What role could the EU level play in this regard?

The EWL highlights the contradiction between stating that pension age should be increased and the very low levels of employment rates especially for women in the age category prior to the official age in most countries: indeed, the employment rate for women aged 55-64 years at EU level is 36,8% (18,2 percentage points lower than their male counterparts). Lifting the age limit in no way guarantees adequate pensions, but rather increases the precariousness of those who take career breaks due to care responsibilities or unemployment. Instead of increasing retirement age women and men should be enabled to remain in the labour market.

By addressing older women's employment rates, the issue of young people's access to the labour market, and the patterns of women's participation in the labour market, the sustainability of pension schemes can be ensured. The answer to this question depends also on the kind of pension model to be supported: while the male breadwinner model persists, any increase in pension age will impose a heavy burden on women due to their double role of carers and breadwinners.

What is at stake here is Europe's societal vision for the future and the social pact between generations, between genders and between the individual and the State; and what is needed is to integrate, take into account and pay time spent out of formal labour market.

Provisions obliging workers to retire at a certain age have to be removed to allow women and men to decide flexibly on when to retire, allowing for more flexible working schemes. EU legislation must prohibit discrimination to women based on a life expectancy rate which discriminates against women and generalises on women's lives without an individualised assessment (as for example art. 5(2) of Directive 2004/113/EC). Many factors, such as lifestyle, working conditions, poverty and stress, have a greater impact on life expectancy than gender.

The EU needs to monitor the rules of second and third pillar systems, often discriminatory against women.

4) How can the implementation of the Europe 2020 strategy be used to promote longer employment, its benefits to business and to address age discrimination in the labour market?



Rising the pensionable age is not the only way to expand the labour force and ensure sustainable pension systems. Within Europe 2020, it is thus important to keep focus on the 75% employment target, also for older women. Women's participation rates on the labour market are still substantially lower than that of men throughout the EU. This points to a lack of political commitment to real reconciliation measures, which would allow for women and men to combine work and family life. EU states and employers are missing out on the essential knowledge, capacity and skills of women by not having adequate provisions for work-life balance available that would encourage them to participate fully on the labour market.

In order to enable older women to become active in the labour market, member states must provide care services which are affordable and accessible for all. Persistent gender stereotypes regarding family care responsibilities, which consider women responsible to care for children, grandchildren, parents and other dependants is not only discriminatory, but in addition renders women unable to simultaneously carry on their career. Providing care services is necessary for equality, and an investment for the member states, since it allows for more people to participate on the labour market, and creates new jobs and thus enables more women contribute to the fiscal system. The unmet Barcelona targets for childcare must be renewed and targets for other dependents must be set.

Older women workers especially lack access to training, which makes it more difficult for them to find appropriate work. In order for them to be employable and encouraged to remain in the labour force, the European Employment Strategy should help member states design special programs to support older women primarily regarding training, but also in order to validate their informally acquired knowledge, experience and skills.

8) Does current EU legislation need reviewing to ensure consistent regulation and supervision of funded (i.e. backed by a fund of assets) pension schemes and products? If so, which elements?

Funded schemes put the risk on their recipients, and since women's incomes are generally lower than men's, they are less likely to have private savings to fall back on if their pension funds don't give enough output. The social and economic crisis clearly demonstrated that there is no guarantee that financial institutions survive or could live up to their commitments in times of economic turmoil, which could leave people whose pensions are constituted of funded schemes without any retirement income.

Private systems are less transparent. As their importance increases, it is pertinent that an overview of their rules and their implementation is carried out at the EU level. These have proven often to be discriminatory, for example with higher premiums for women as they have longer life expectancy. Many factors, such as lifestyle, working conditions, poverty and stress, have a greater impact on life expectancy than gender: the EU legislation must prohibit discrimination to women based on a life expectancy rate which generalise women's lives without an individualised assessment. EU can also support informed decisions by enhancing rules for transparency and comparability, and ensure that the different realities between men and women are taken into account. The EWL calls on the prohibition of direct discrimination in pensions of second and third pillars and in the private insurance sector

EU can also support informed decisions by enhancing rules for transparency and comparability, and ensure that the different realities between men and women are taken into account.



14) Should the policy coordination framework at EU level be strengthened? If so, which elements need strengthening in order to improve the design and implementation of pension policy through an integrated approach? Would the creation of a platform for monitoring all aspects of pension policy in an integrated manner be part of the way forward?

Although pension systems fall under the Member States competence, the EU should indeed strengthen its coordination framework. Discussion among member states of best practices is helpful, along with peer reviews in order to establish what systems work. Specific thematic sessions within the OMC on how to address women's disadvantaged position on the labour market must be organised.

The European Union must also ensure that all its Member States apply appropriate governance rules to manage their public finances and to improve the solvency of occupational pension institutions.

The EU should also ensure that gender equality is inherent to all pension systems.

A European Platform on Pensions needs to be created, to cover all pensions' pillars and ensure that equality between men and women is present in all pillars.